

## Message Text

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ACTION ARA-20

INFO OCT-01 ISO-00 AEC-11 AID-20 CEA-02 CIAE-00 CIEP-02

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FM AMEMBASSY CARACAS

TO SECSTATE WASHDC 4269

LIMITED OFFICIAL USE SECTION ONE OF TWO CARACAS 5611

E.O. 11652: N/A

TAGS: UDD, VE

SUBJECT: THIRD VENEZUELAN PETROLEUM CONGRESS

SUMMARY: DEBATES AT THIRD VENEZUELAN PETROLEUM CONGRESS CONTAINED MORE

PLAIN TALK THAN EVER BEFORE ABOUT PROBLEMS OF NATIONALIZATION AND  
OUTLOOK FOR PETROLEUM INDUSTRY AND OIL COMPANIES HERE. EFFORT WAS MADE

BY LEFTIST SPOKESMEN, AND BY COPEI REPRESENTATIVES, TO PRESSURE  
GOVERNMENT FOR EARLIER AND MORE COMPLETE NATIONALIZATION, BUT THESE  
EFFORTS WERE REBUFFED BY AD SPOKESMAN AND IGNORED BY PRESIDENT PEREZ,  
WHO MANAGED TO MAKE NATIONALISTIC ADDRESS WITHOUT SAYING ANYTHING NEW  
OR FURTHER RESTRICTING HIS OPTIONS. PUBLIC IMPACT OF CONGRESS APPEARS  
TO HAVE BEEN SLIGHT BUT DOCUMENTS PREPARED FOR CONGRESS BY EXPERTS MAY

HAVE SOME HELPFUL EFFECT ON THOSE WHO WILL ADVISE THE PRESIDENT ON  
PETROLEUM NATIONALIZATION DURING COMING YEAR. END SUMMARY.

1. THIRD VENEZUELAN PETROLEUM CONGRESS, SPONSORED BY SOCIETY OF  
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PETROLEUM ENGINEERS, WAS HELD AT CIRCULO MILITAR IN CARACAS, WEEK OF

JUNE 8 THROUGH 15. IN TERMS OF ATTENDANCE, CONGRESS WAS A GREAT SUCCESS

(900 PERSONS REGISTERED) BUT HOPES OF ORGANIZERS, I.E., THAT MAIN EFFECT

OF CONGRESS WOULD BE TO BRING BEFORE PUBLIC FACTS OF VENEZUELA'S PETROLEUM SITUATION AND OPINIONS OF MOST KNOWLEDGEABLE EXPERTS IN ORDER TO ENHANCE LIKELIHOOD OF RATIONAL DECISION-MAKING ON OIL POLICY, WERE FRUSTRATED BY CERTAIN LEFTIST POLITICIANS INVITED TO THE CONGRESS, WHOSE EXTREMIST VIEWS CAPTURED MUCH OF PUBLIC ATTENTION FOCUSED ON CONGRESS. PETROLEUM

CONGRESS DID NOT RECEIVE MUCH COVERAGE IN LOCAL MEDIA; HOWEVER, NUMEROUS TECHNICAL PAPERS PREPARED MAY YET HAVE A USEFUL IMPACT ON OIL POLICY DECISION-MAKERS OF VENEZUELA.

2. PRESIDENT PEREZ INAUGURATED PETROLEUM CONGRESS WITH A SPEECH THAT WAS HIGHLY NATIONALISTIC IN TONE BUT IN FACT SAID NOTHING NEW. OIL COMPANY SOURCES WERE GRATIFIED THAT HE SET NO NEW DEADLINE FOR NATIONALIZATION AND DID NOT MAKE ANY STATEMENTS THAT WOULD FURTHER LIMIT

HIS FLEXIBILITY IN DECIDING UPON SPECIFIC FORM OF PETROLEUM NATIONALIZATION.

SOME OBSERVERS, HOWEVER, WERE DISMAYED BY A STATEMENT PEREZ MADE REFERRING TO FUTURE OF PETROLEUM IN VENEZUELA AS A "STATE-IZATION

OF PETROLEUM ENTERPRISES." THIS TERM "STATE-IZATION" WAS A RECURRENT ONE THROUGHOUT PETROLEUM CONGRESS, LEADING SOME OIL COMPANY OBSERVERS TO CONCLUDE THAT NATIONALIZATION IN VENEZUELA WILL INVOLVE A TAKE-OVER OF

ALL OIL COMPANY OPERATIONS BY GOVERNMENT, LEAVING NO OPERATIONAL ROLE FOR COMPANIES, AND CONVERTING PERSONNEL TO EMPLOYEES OF THE STATE. OTHER

OBSERVERS, HOWEVER, THINK THAT THIS IS TOO PESSIMISTIC A VIEW AND FACT

THAT PRESIDENT PEREZ DID NOT MAKE ANY STATEMENT THAT RULED OUT CONTINUING

PARTICIPATION BY COMPANIES IN SOME ASPECTS OF OPERATIONS INDICATES THAT LIMITED OFFICIAL USE

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NO SUCH DECISION HAS BEEN MADE.

3. MAJOR TOPICS COVERED DURING PETROLEUM CONGRESS WERE: DEVELOPMENT OF

RESEARCH; ACCELERATED FORMATION OF HUMAN RESOURCES; MARGINAL OIL FIELDS;

TECHNICAL SERVICE COMPANIES; ALTERNATIVES FOR ADMINISTRATION OF THE

OIL BUSINESS; MARKETING; A NEW HYDROCARBONS LAW; EARLY REVERSION; AND,  
INTEGRAL ENERGY POLICY.

4. TYPICAL OF LEFTIST POLITICAL INTERVENTIONS AT CONGRESS WERE STATEMENTS BY URD POLITICIAN LEONARDO MONTIEL ORTEGA, AND INDEPENDENT LEFTIST PROFESSOR DOMINGO ALBERTO RANGEL. MONTIEL REITERATED HIS WELL-KNOWN VIEWS THAT EVERYTHING SHOULD BE NATIONALIZED IMMEDIATELY WITHOUT COMPENSATION AND SUGGESTED THAT THOSE WHO DO NOT AGREE WITH HIM ARE TRAITORS TO VENEZUELA. RANGEL, IN A BRILLIANT POLEMICAL ADDRESS, STATED THAT NO NATIONALIZATION WILL TAKE PLACE. HE SAID IT IS ABSURD TO

THINK THAT A POLITICAL PARTY (AD), WHICH REPRESENTS ALL OF THE BIG MONEY

INTERESTS OF VENEZUELA, AND IS LED BY A MAN WHO HAS ALWAYS BEEN THE YANKEES' BEST FRIEND IN VENEZUELA (BETANCOURT), WOULD ACTUALLY TAKE OVER PROPERTY OF OIL COMPANIES. RANGEL SAID THAT THE ENTIRE PROCESS IS

A CHARADE DESIGNED TO MISLEAD PUBLIC AND CREATE APPEARANCE OF NATIONALIZATION WHILE COMPANIES REMAIN IN FULL CONTROL OF OPERATIONS.

5. BOTH MONTIEL AND RANGEL WERE STRONGLY REBUTTED BY OTHER SPEAKERS, THE FORMER BY EX-CVP OFFICIAL JOSE GREGORIO PAEZ, AND THE LATTER BY AD

PETROLEUM EXPERT ARTURO HERNANDEZ GRISANTI (181.9.583), IN THE OPINION OF CONGRESS' ORGANIZING SECRETARY, SUCCEEDED MAINLY IN DEMONSTRATING TO MOST IMPORTANT TECHNICIANS IN VENEZUELA THAT HE AND THOSE WHO THINK LIKE HIM ARE MAINLY INTERESTED IN THROWING OIL COMPANIES OUT OF VENEZUELA AND GIVE LITTLE CONCERN IN THEIR THINKING TO BEST INTERESTS OF NATION. RANGEL, THROUGH HIS SHEER BRILLIANCE AND POLEMICAL ABILITY,

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MADE A BETTER IMPRESSION BUT HE HAS LITTLE POLITICAL FOLLOWING AND HERNANDEZ GRISANTI WAS ABLE TO STRONGLY REBUT HIM WITH OBVIOUSLY SINCERE STATEMENT OF GOVERNMENT'S FIRM INTENTION TO NATIONALIZE OIL INDUSTRY, AND OF GOVERNMENT'S EQUALLY FIRM INTENTION TO PROCEED DELIBERATELY AND RATIONALLY.

6. HERNANDEZ GRISANTI ALSO HAD NO TROUBLE REBUTTING COPEI SPOKESMAN ABDON VIVAS TERAN, A FELLOW DEPUTY. TERAN PRESSED FOR IMMEDIATE NATIONALIZATION, PLEDGING THAT COPEI WOULD SUPPORT SUCH A MOVE IF AD WOULD ONLY GET IT ROLLING, AND FURTHER PLEDGING THAT COPEI WOULD JOIN WITH AD TO ENACT IMMEDIATELY NECESSARY LEGISLATION. HERNANDEZ GRISANTI

SAID THAT HIS PARTY WILL NOT BE PRESSED INTO PRECIPITOUS ACTION BY A GROUP THAT WAS IN POWER FOR FIVE YEARS WITHOUT TAKING ANY ACTION ON NATIONALIZATION. FORMER HYDROCARBONS MINISTER PEREZ LA SALVIA ALSO

SPOKE TO CONGRESS, BUT MAINLY IN DEFENSE OF HIS RECORD IN OFFICE,  
AND MADE LITTLE IMPACT.

7. ON MOST IMPORTANT TOPIC, NATIONALIZATION, CONGRESS DEBATED FOUR  
POSSIBLE ALTERNATIVE ARRANGEMENTS FOR ADMINISTRATION OF PETROLEUM  
INDUSTRY AFTER NATIONALIZATION:

- (1) DIRECT ADMINISTRATION BY STATE OF ALL PHASES OF INDUSTRY;
- (2) USE OF OPERATING CONTRACTS UNDER WHICH PRIVATE FIRMS WOULD  
CARRY OUT EXTRACTION, REFINING, AND MARKETING;
- (3) MIXED ENTERPRISES;
- (4) PRIVATE ADMINISTRATION UNDER STATE CONTROL.

8. THOSE WHO FAVOR "STATE-ISM" PREPARED A STRONGLY WORDED CASE AGAINST

ALL ABOVE ALTERNATIVES EXCEPT THE FIRST-DIRECT ADMINISTRATION BY STATE.

THEY SAID, "IN ORDER THAT NATIONALIZATION OF PETROLEUM INDUSTRY TAKE  
PLACE, STATE-IZATION OF FUNDAMENTAL ACTIVITIES SUCH AS EXPLORATION,  
EXPLOITATION, TRANSPORTATION, REFINING, AND MARKETING IS  
INDISPENSABLE...

OTHER ALTERNATIVES FOR MANAGEMENT OF PETROLEUM INDUSTRY, SUCH AS  
'OPERATING CONTRACTS,' 'MIXED ENTERPRISES,' AND 'CONTINUATION OF  
PETROLEUM ACTIVITIES UNDER PRIVATE ADMINISTRATION,' ARE OUTLINES THAT  
COMPROMISE OR SIMPLY NEGATE NATIONALIZATION."

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## Message Attributes

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